



THE WHITE HOUSE
WASHINGTON

March 3, 1966

MEMORANDUM TO THE HEADS OF DEPARTMENTS AND AGENCIES

Each of you is aware of my determination that this Administration achieve maximum effectiveness in the conduct of day-to-day operations of the Government.

We must seek in every feasible way to reduce the cost of carrying out governmental programs. But we must remember that our budgetary costs--our current out-of-pocket expenditures--do not always provide a true measure of the cost of Government activities. This is often true when the Government undertakes to provide for itself a product or a service which is obtainable from commercial sources.

At the same time, it is desirable, or even necessary, in some instances for the Government to produce directly certain products or services for its own use. This action may be dictated by program requirements, or by lack of an acceptable commercial source, or because significant dollar savings may result.

Decisions which involve the question of whether the Government provides directly products or services for its own use must be exercised under uniform guidelines and principles. This is necessary in order--

- . to conduct the affairs of the Government on an orderly basis;
- . to limit budgetary costs; and
- . to maintain the Government's policy of reliance upon private enterprise.

At my direction the Director of the Bureau of the Budget is issuing detailed guidelines to determine when the Government should provide products and services for its own use. These guidelines are the result of long study, based on experience over the past six years since the current guidelines were issued.

Each of you is requested to designate an assistant secretary or other official of comparable rank to--

- . review new proposals for the agency to provide its own supplies or services before they are included in the agency's budget;

- . review experience under the new guidelines; and
- . suggest any significant changes to the guidelines which experience may indicate to be desirable.

I do not wish to impose rigid or burdensome reporting requirements on each agency with respect to the new guidelines. However these guidelines will require that appropriate records be maintained relative to agency commercial or industrial activities. I am also requesting the Budget Director to report to me from time to time on how the new directives are being carried out, and whether experience suggests changes in the guidelines or in agency reporting requirements.

